

**COUNCIL ACTION FORM**

**SUBJECT: RENEWAL OF CASUALTY & LIABILITY INSURANCE COVERAGES**

**BACKGROUND:**

The City's liability insurance coverage expires on June 30, 2010. This coverage has been placed with the Iowa Communities Assurance Pool (ICAP) since July 1, 2004.

ICAP is a group self-insurance program endorsed by the Iowa League of Cities since its inception in 1986. ICAP is governed by a Board of Directors, which is comprised of seven representatives of participating members. ICAP provides property and casualty coverage to nearly 640 Iowa public entities, each of which is an owner in the program.

Every ICAP member has equity that increases through the first six years of membership, at which point the member is 100% vested and becomes eligible for surplus distribution. With this year's renewal, the City of Ames will have six years in ICAP's program. In 2007, the ICAP Board of Directors elected to return a portion of each qualifying member's equity. Since then, vested members receive a return which is granted in three annual installments. The City will receive checks in the amount of \$70,484.62 for each of the next three years. At this time, it is recommended that this money be deposited in the Risk Management Fund in order to bring that fund closer to our goal of a \$1,000,000 balance.

In addition to the equity return, there is a member distribution redemption which is an amount that varies depending on the amount of investment income earned during the prior policy year. For the City of Ames, the amount for the 2010/11 policy year is \$22,528.83, which will be deducted from the total premium as shown below.

The following coverages are part of the coverage provided by ICAP:

- General Liability
- Automobile Liability
- Automobile – Physical Damage for Bookmobile
- Property – Ice Arena
- Transit (CyRide)
- Public Officials
- Law Enforcement Activities
- Excess Liability (\$4M of coverage over the primary coverage of \$2M annually)

Since the Council's commitment to join ICAP in 2004, staff has not sought alternatives providers for these coverages. The relationship with ICAP continues to be a good one, and the City is now reaping the benefits of rebates.

The renewal quotation costs by area of coverage are presented below. These costs include a 3.1% overall increase from FY 09/10 to FY10/11, but a \$2,434 decrease from the 10/11 budget of \$438,600 to the final premium amount of \$436,166, due to the member distribution payment.

	<b>09-10 Actual</b>	<b>10-11 Budget</b>	<b>10-11 Proposal</b>
<b>General Liability</b>	\$148,473	\$161,500	\$156,275
<b>Auto</b>	60,178	59,000	61,057
<b>Transit</b>	92,102	101,000	109,864
<b>Public Officials</b>	23,638	27,400	23,710
<b>Law Enforcement</b>	22,835	28,000	23,969
<b>Excess</b>	67,198	61,000	69,463
<b>Auto Physical Damage</b>	692	700	692
<b>Property</b>	7959	8158	8099
<b>Agent Fee</b>	1000	---	1000
<b>Member Distribution</b>	<u>(905)</u>		<u>(22,528)</u>
<b>Total</b>	<b>\$423,170.</b>	<b>\$438,600</b>	<b>\$436,166</b>

Deductible amounts have remained constant from 09/10 to 10/11 and range from \$100,000 per occurrence to \$25,000 per occurrence.

The largest contributing factor to the increase in premium is attributable to the purchase of eleven additional buses at CyRide. CyRide's portion of the premium will increase from \$92,102 to \$109,864.

#### **ALTERNATIVES:**

1. Accept the proposal from the Iowa Communities Assurance Pool in the amount of \$436,166, with a \$6 million coverage limit.
2. The current policy provides \$6 million of coverage limits. The Council could refer this matter back to the staff to obtain quotes for higher limits of insurance coverage.
3. Reject the ICAP proposal and direct staff to seek quotes from other providers.

#### **MANAGER'S RECOMMENDED ACTION:**

ICAP continues to provide needed levels of liability and casualty coverage for the City. In addition, after six years of membership in ICAP, the City is now eligible to receive the advantage of the annual member distribution redemptions, as well as the three-year equity return. A number of other localities have coverage limits higher than \$6,000,000. Given the other demands on the Risk Management Fund balance at this time, staff will seek to include funding for an increase in this coverage limit in the 2011-12 budget.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby approving the renewal of insurance coverage with the Iowa Communities Assurance Pool in the amount of \$436,166 with \$6 million coverage limits.